

**REPORT OF THE AUDIT OF THE
FORMER CLAY COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER CLAY COUNTY CLERK

**For The Year Ended
December 31, 2001**

The Auditor of Public Accounts has completed the former Clay County Clerk's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$4,863 from the prior calendar year, resulting in excess fees of \$64,873 as of December 31, 2001. Revenues decreased by \$5,011 from the prior year and disbursements decreased by \$9,874.

Report Comments:

- The Former County Clerk Should Have Presented His Annual Financial Settlement To The Fiscal Court And Should Have Settled Excess Fees By March 15 Of The Following Year
- The Former County Clerk Should Have Published His Annual Financial Settlement Within Sixty Days After The End Of The Calendar Year

Deposits:

The former Clerk's deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable James Garrison, Clay County Judge/Executive
Honorable Jennings White, Former Clay County Clerk
Honorable Freddy Thompson, Clay County Clerk
Members of the Clay County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Clerk of Clay County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2003, on our consideration of the former County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Former County Clerk Should Have Presented His Annual Financial Settlement To The Fiscal Court And Should Have Settled Excess Fees By March 15 Of The Following Year
- The Former County Clerk Should Have Published His Annual Financial Settlement Within Sixty Days After The End Of The Calendar Year

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 9, 2003

CLAY COUNTY
JENNINGS WHITE, FORMER COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

State Fees For Services		\$	9,564
Fiscal Court			20,099
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	493,664	
Usage Tax		1,069,725	
Tangible Personal Property Tax		774,646	
Licenses-			
Fish and Game		7,346	
Marriage		8,556	
Occupational		852	
Deed Transfer Tax		10,574	
Delinquent Tax		<u>147,431</u>	2,512,794
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	9,942	
Real Estate Mortgages		10,479	
Chattel Mortgages and Financing Statements		77,239	
Powers of Attorney		2,631	
All Other Recordings		16,591	
Extra Pages - Recordings		9,947	
Charges for Other Services-			
Copywork and Postage		10,032	
Miscellaneous Recordings		<u>2,215</u>	139,076
Other:			
Election	\$	1,400	
Reimbursements for overpayments		4,574	
Miscellaneous Income		<u>365</u>	6,339
Interest Earned			<u>2,731</u>
Total Receipts		\$	2,690,603

CLAY COUNTY

The accompanying notes are an integral part of this financial statement.

JENNINGS WHITE, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 388,173

Usage Tax 1,033,606

Tangible Personal Property Tax 371,338

Licenses, Taxes, and Fees-

Fish and Game 6,656

Delinquent Tax 20,335

Legal Process Tax 20,245 \$ 1,840,353

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 73,229

Delinquent Tax 17,430

Deed Transfer Tax 10,046

Occupational Licenses 695 101,400

Payments to Other Districts:

Tangible Personal Property Tax \$ 293,129

Delinquent Tax 71,440 364,569

Payments to Sheriff

4,154

Payments to County Attorney

19,900

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 156,940

Employee Benefits-

Employer's Share Social Security 16,419

Employer's Paid Health Insurance 19,667

Unemployment Insurance 147

Contracted Services-

Advertising 72

Printing and Binding 152

CLAY COUNTY
 JENNINGS WHITE, FORMER COUNTY CLERK

The accompanying notes are an integral part of this financial statement.

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Materials and Supplies-		
Office Supplies	\$	5,983
Other Charges-		
Conventions and Travel		2,038
Dues		500
Postage		4,514
Refunds and Overpayments		8,148
Miscellaneous		1,244
Returned Checks From Customers		288
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Capital Outlay-		
Office Equipment		9,957
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Total Disbursements	\$	2,556,445
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Net Receipts	\$	134,158
Less: Statutory Maximum		65,685
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Excess Fees	\$	68,473
Less: Expense Allowance		3,600
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Excess Fees Due County for 2001	\$	64,873
Payment to County Treasurer - June 25, 2002		65,135
		<hr/>
Excess Fee Overpayment - Refund Due From Fiscal Court	\$	(262)
		<hr/>

The accompanying notes are an integral part of this financial statement.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the year.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the former County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former County Clerk's agent in the former County Clerk's name, or provided surety bond which named the former County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The former County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$13,417. The former County Clerk did not expend any funds during 2001. Interest income of \$19 was earned during the year leaving a balance of \$13,436 on December 31, 2001.

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COMMENTS AND RECOMMENDATIONS

CLAY COUNTY
JENNINGS WHITE, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2001

STATE LAWS AND REGULATIONS:

1. The Former County Clerk Should Have Presented His Annual Financial Settlement To The Fiscal Court And Should Have Settled Excess Fees By March 15 Of The Following Year

The former County Clerk did not present his annual settlement to the Fiscal Court, however he did pay excess fees of \$65,135 on June 25, 2002. KRS 64.152 requires the County Clerk to provide the fiscal court with a statement of receipts and expenditures of the preceding calendar year, and to settle excess fees with the fiscal court by March 15 of each year. We recommend the former County Clerk present a statement of receipts and expenditures to the fiscal court. We recommend the County Clerk's office comply with KRS 64.152.

Former County Clerk's Response:

Our office had to move from the old courthouse to a new location and during the transition, we failed to submit on time.

2. The Former County Clerk Should Have Published His Annual Financial Settlement Within 60 Days After The End Of The Calendar Year

The former County Clerk published his annual settlement on June 27, 2002. KRS 424.220 (6) and (8) states "The clerk shall, within sixty (60) after the close of the calendar year cause the financial statement to be published in full in a newspaper qualified under KRS 424.120 to publish advertisements for the county." We recommend the County Clerk's office comply with this statute by publishing an annual financial statement within the sixty (60) days after the close of the calendar year.

Former County Clerk's Response:

Our office had to move from the old courthouse to a new location and during the transition, we failed to submit on time.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the former Clay County Clerk for the year ended December 31, 2001, and have issued our report thereon dated April 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Clay County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Former County Clerk Should Have Presented His Annual Financial Settlement To The Fiscal Court And Should Have Settled Excess Fees By March 15 Of The Following Year
- The Former County Clerk Should Have Published His Annual Financial Settlement Within Sixty Days After The End Of The Calendar Year



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Clay County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 9, 2003

